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DEPARTMENT FOR EEB/CIP/BA

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SUBJECT: TELECOMMUNICATION IN SIERRA LEONE: MYOPIC POLICY
AND LIMITED CAPACITY

REF: STATE 9659

1.(U) SUMMARY: While there is great potential in Sierra Leone to expand the existing telecommunications sector, government policy, particularly related to the nascent internet provider industry, is creating hurdles that may prove insurmountable for small businesses. High fees excised by the government, coupled with unreliable electricity and the difficulty obtaining additional bandwidth, are serious impediments to the growth of the telecommunications sector in Sierra Leone and are indicative of the obstacles the country must overcome for Millennium Challenge Eligibility. END SUMMARY.

¶2. (U) Discussions between the econoff, economic assistant, and representatives from various telecommunications companies revealed a common complaint - the sunk costs related to starting and maintaining an enterprise in the sector are extremely high. Leasing land from the government, constructing or leasing communications towers, and purchasing and maintaining generators for a constant power supply are all expensive ventures, making it hard for new companies to break into a market exhibiting growing demand. For internet service providers (ISPs), additional costs related to purchasing and increasing bandwidth are also high.

¶3. (U) Cell phone companies are plentiful in Sierra Leone, and while the start-up costs are high, many turn a profit in short order. Celtel, Comium, Tigo, and Africel command the market, though new cell companies are entering the market on a regular basis. Sierratel, which is the international gateway operator and sole provider of land-line telephone service, will be expanding into cellular service shortly. The company received loans from partners in India and China to allow it to replace equipment and train staff, which will prepare Sierratel for the establishment of the Code Division Multiple Access (CDMA) wireless network (Note: Sierra Leone currently does not have a CDMA network, and its arrival will likely greatly improve the quality of cell service in the country. End note.).

¶4. (SBU) ISPs, while also facing high costs related to Sierra Leone's limited infrastructure, have additional burdens that make it challenging to start and expand their businesses. New companies must pay high leasing fees to use existing towers, and companies seeking to grow are unable to access the bandwidth they need from established sources (Note: As the international gateway operator, Sierratel should be providing additional bandwidth at companies' request. Contacts, however, stated that Sierratel lacks the capacity to support this need. When such companies then contract other satellite systems, they must pay an additional fee to the Government of Sierra Leone (GoSL). Thus, small and growing businesses are hampered by the lack of infrastructure to provide for their bandwidth needs, and feel that they are unfairly penalized when they procure those services independently. End note.).

Also, the National Telecommunication Commission (NATCOM) sent a letter to all ISPs on February 14, stating that they must pay

nearly \$40,000 in new fees by March 1, or their companies will be shut down. Only one company, Comium, is sufficiently diversified in other ventures to afford these additional fees. As one small ISP business representative indicated, paying these new fees will result in a higher cost to the consumer (Note: Regular customers already pay between \$70 and \$295 per month, depending on the speed of the connection. End note.), and will also prevent companies from expanding into new services or regions beyond Freetown and its surrounds.

¶5. (SBU) NATCOM, a quasi-governmental office, has control over bandwidth, licensing, and all government-assessed fees. This is a relatively new body, having been formed in 2006 following the passage of the Telecommunications Act. Businesses in the sector, particularly ISPs, feel that NATCOM has little understanding of the realities of the business world, and seemingly no vested interest in seeing companies succeed. The opinion was also expressed that NATCOM is taking a myopic policy stance by levying more fees on companies that have only just begun to break even, especially if they make good on their promise to close those that cannot pay the new fees and essentially create a monopolistic market (Comment: There are currently no indications that the new fees were created as a result of political collusion between NATCOM and specific companies. Given the dire fiscal straits the GoSL is currently experiencing, it is likely that NATCOM is assessing additional charges on a sector they know to be growing and assume to be profitable to boost government revenue. End comment.).

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¶6. (SBU) COMMENT: While there are a number of opportunities for growth in the telecommunications sector, particularly with regard to the provision of internet services, current policies are posing significant challenges to any expansion. The limited capacity in the country, including the lack of regular electricity and needed bandwidth, places financial and technological burdens on new and established companies alike. Assessing fees that put infant enterprises in a fledgling sector in jeopardy runs counter to President Koroma's pro-business stance, but is unsurprising given the GoSL's desperate need for revenue. Bureaucratic obstacles are symptomatic of the business climate and, at present, hinder government's prospects for Millennium Challenge eligibility desired by Sierra Leone's leadership. Balancing the desire to support long-term business and technological development against the need to provide basic services to the population will be a challenge in both the short- and long-term for this administration. END COMMENT.

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